

Message Text

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ACTION EB-08

INFO OCT-01 ARA-06 EUR-12 ISO-00 CIAE-00 INR-07 IO-13
L-03 OMB-01 SP-02 TRSE-00 H-01 PRS-01 NSC-05
INRE-00 SSO-00 NSCE-00 /060 W
-----311045Z 087634 /14-L
O R 311001Z MAR 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 2165
INFO AMEMBASSY BRASILIA

C O N F I D E N T I A L LONDON 05293

E.O. 11652: GDS
TAGS: EPAP, UNCTAD
SUBJECT: SUGAR -- CONSULTATION WITH BRAZIL

REF: LONDON 5123

1. AT SECOND CONSULTATION ON SUGAR WITH RAFFAELLI
MARCH 29, US REP USED EB/TRP TALKING POINTS PAPER TO
GIVE FULLER INDICATION OF U.S. THINKING THAN HAD BEEN
POSSIBLE AT EARLIER MEETING (REFTEL). RAFFAELLI'S
REACTION WAS POSITIVE. HE QUICKLY GRASPED ESSENTIALS OF
OUR OUTLINE AND MADE USEFUL COMPARISONS WITH BRAZILIAN
APPROACH.

2. HIGHLIGHTS OF CONVERSATION WERE:

A. RELATIONSHIP TO EEC POSITION -- RAFFAELLI'S
FIRST REACTION WAS THAT THE U.S. IDEAS SEEMED TO BE A
CONCESSION TO THE EEC. US REP RESPONDED U.S. IDEAS
SHOULD BE VIEWED PRIMARILY AS AN ATTEMPT TO DEVELOP A
VIABLE SYSTEM. IF THIS SHOULD BE A BRIDGE TO THE EEC,
THAT WOULD BE AN ADDITIONAL BENEFIT, BUT BRIDGE-
BUILDING WAS NOT THE PRIMARY MOTIVE. RAFFAELLI SAID
BRAZIL HAD LITTLE INTEREST IN MAKING CONCESSIONS TO THE
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EEC.

B. PRICE RANGE. RAFFAELLI PROBED THIS CAREFULLY.
HE CONCLUDED THAT BRAZILIAN AND U.S. THINKING WERE NOT
TOO FAR APART. HE NOTED THAT THE U.S. PROPOSAL REALLY
MEANT A FOUR BAND RANGE (RATHER THAN THREE), WITH A
BOTTOM SECTOR(WITHOUT A DEFINED FLOOR) BELOW THE U.S.

FLOOR, THAT IS IN THE TOP OF THE RESTRICTIVE QUOTA RANGE. CONCEPTUALLY, RAFFAELLI NOTED THE BRAZILIAN RANGE MIGHT BE SAID TO COMPARE WITH THE U.S. ONE, STARTING FROM SOMEWHERE IN THE RESTRICTIVE QUOTA AREA AND EXTENDING TO THE BORDER BETWEEN THE 4 AND 2 CENT SECTORS, WHICH EQUATED TO THE BRAZILIAN CEILING. HE EMPHASIZED REALISTIC QUOTAS WOULD BE ESSENTIAL TO SUCCESSFUL OPERATION OF THE U.S. SYSTEM, AND THAT THE TRADITIONAL APPROACH WOULD NOT SUFFICE. (U.S. AND BRAZILIAN APPROACHES REGARDING QUOTA MECHANISMS MAY DIFFER, BUT WE SEEM CLOSE IN PHILOSOPHY ON THIS POINT, I.E., BASIC CONSIDERATION IS AN ACCURATE DEMAND ASSESSMENT IN DECIDING UPON THE GLOBAL QUOTA EACH YEAR, AND DISTRIBUTION OF THIS ANNUAL GLOBAL QUOTA ON AS REALISTIC A BASIS AS POSSIBLE.

RAFFAELLI AT FIRST WAS CONCERNED ABOUT EFFECT OF THE U.S. MIDDLE SECTOR. HE THOUGHT THE U.S. PREFERRED MECHANISM MIGHT TEND TO PREVENT THE PRICE FROM EVER RISING INTO THAT SECTOR. LATER HE CONCEDED CONCEPT WAS "OK".

C. STOCK VERIFICATION. RAFFAELLI OBSERVED U.S. IDEA WOULD REQUIRE EFFECTIVE VERIFICATION TO POLICE BUILD UP OF "SPECIAL STOCKS". HE THOUGHT WE SHOULD NOT UNDER-ESTIMATE THE DIFFICULTY HERE.

D. ACCESS PROVISION IN BRAZILIAN PROPOSAL. RAFFAELLI SAID BRAZILIAN IDEA WAS TO REPLACE ANNEX A OF OLD ISA WITH A GENERIC ARTICLE. THIS WOULD ATTEMPT TO CONFIDENTIAL

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RESERVE INCREASES IN CONSUMPTION IN IMPORTING MEMBER COUNTRIES TO IMPORTS OF (LOWER COST) SUGAR FOR EXPORTING MEMBERS (I.E., IN EFFECT DOMESTIC PRODUCTION WOULD BE LIMITED TO EXISTING LEVELS IN IMPORTING COUNTRIES). RAFFAELLI ACKNOWLEDGED INCREASING USE OF HFCS WAS A COMPLICATING FACTOR IN SUCH A FORMULA, TO WHICH HE COULD SEE NO SOLUTION. USREP SAID HE THOUGHT US WOULD HAVE DIFFICULTY IN ACCEPTING PRODUCTION CONTROL.

E. NON-MEMBERS. RAFFAELLI REFERRED TO THE EARLIER CONVERSATION, NOTING THAT BRAZIL'S INTENT WAS TO RESTRICT PRODUCERS SUCH AS THE EEC AND THE DOMINICAN REPUBLIC WHO MIGHT NOT JOIN A NEW ISA. HE SAID THIS WAS NOT AIMED AT SPECIAL PROBLEM COUNTRIES. HE SUGGESTED WE LOOK CAREFULLY AT BRAZIL'S PROPOSAL SINCE HE FELT U.S. INTERESTS MIGHT BE PROTECTED IN BRAZIL'S GENERIC APPROACH TO THE ISSUE. SPIERS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, SUGAR, NEGOTIATIONS, MEETING PROCEEDINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 31-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LONDON05293
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
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Format: TEL
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Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t1977033/aaaaaclg.tel
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Litigation Code IDs:
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Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 0e6820b3-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 LONDON 5123
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3020306
Secure: OPEN
Status: NATIVE
Subject: SUGAR -- CONSULTATION WITH BRAZIL
TAGS: EPAP, ETRD, BR, US, UNCTAD, (RAFFAELLI, MARCELO)
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/0e6820b3-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009